

### DAILY POINTS

April 10, 2024 @ 7:00 EST

### Contributors

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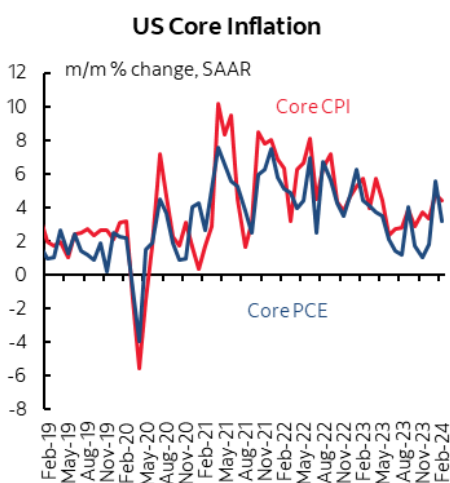
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Chart 1



### On Deck for Wednesday, April 10

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	04-10	07:00	MBA Mortgage Applications (w/w)	Apr 05	--	--	-0.6
CA	04-10	08:30	Building Permits (m/m)	Feb	--	-4.5	13.5
US	04-10	08:30	CPI (m/m)	Mar	0.4	0.3	0.4
US	04-10	08:30	CPI (y/y)	Mar	3.5	3.4	3.2
US	04-10	08:30	CPI (index)	Mar	--	312.1	310.3
US	04-10	08:30	CPI ex. Food & Energy (m/m)	Mar	0.3	0.3	0.4
US	04-10	08:30	CPI ex. Food & Energy (y/y)	Mar	3.7	3.7	3.8
US	04-10	08:45	Fed's Bowman Discusses Basel Capital Requirements				
CA	04-10	09:45	BoC Interest Rate Announcement (%)	Apr 10	5.00	5.00	5.00
US	04-10	10:00	Wholesale Inventories (m/m)	Feb F	--	0.5	0.5
US	04-10	12:45	Fed's Goolsbee Participates in Panel Discussion				
US	04-10	14:00	Treasury Budget (US\$ bn)	Mar	--	-223.0	-296.3
US	04-10	14:00	FOMC Meeting Minutes				

### KEY POINTS:

- **Markets brace for potentially high volatility cycling through three key events**
- **US core CPI: A crowded field thinks this could be a fifth hot print**
- **BoC: Why it would be foolhardy to tee up June**
- **FOMC minutes to reveal further discussion on QT modalities**

You won't need coffee. The adrenalin rush should be enough today. Position squaring as markets roll through three key events in preparation for the next one could prompt high market volatility and mixed effects that may make it difficult to weed out individual influences. Fuller previews of what to expect for US CPI, the Bank of Canada and FOMC Minutes are in the Global Week ahead [here](#).

### US Core CPI—Another Hot One Could Kill Off June Pricing

March's numbers land at 8:30amET to kick it all off. Everyone's at risk of being wrong together. There is a remarkable coalescing of opinions around the magical number 0.3% m/m SA for core CPI. It's where almost all economists reside, plus it's what markets are pricing and what nowcasts are suggesting. That makes me nervous given what I know about the high uncertainty and missing components. Some drivers are discussed in my weekly.

Another 0.3% or higher print would add to the four such readings we've gotten and further lessen the scope for a June Fed cut. Recall that core CPI was up by 0.3% m/m in each of November and December and then 0.4% in January and February. Using the exact figures and expressing them in m/m SAAR terms shows core CPI running at 3.8%, 3.4%, 4.8% and 4.4% from November to February respectively. That's too hot for the Fed this far into a tightening cycle.

Of course, we all know it's not CPI that matters so much to the Fed as it is their preferred PCE inflation gauges. On that count, the evidence is also sending warning signals, but over a shorter period (chart 1). Core PCE was up by 5.6% m/m SAAR in January and 3.2% in February but was one-handed in each of November and December. Whatever happens to core CPI will have to go through the data meat grinder to assess prospects for core PCE but the narrative doesn't change much; after two hot months, any further pressure on core PCE could push cuts down and out while any relief could require more data.

### Bank of Canada—Don't Expect Firm Hints About June

The statement and Monetary Policy Report including fresh forecasts arrive at 9:45amET. Governor Macklem's written opening comments to his press conference arrive at the beginning of the presser that starts at 10:30amET.

Please see my weekly for the fuller doves-versus-hawks cases and where I stand that won't be repeated here.

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On net, I'm not looking for any commitment to timing easing out of this one other than to repeat vague guidance that easing later in the year is feasible. Between now and the June 5<sup>th</sup> decision will see the release of two more CPI reports that could inform whether the last two were anomalies or that could extend the pattern and come closer to meeting the BoC's criteria for a sustained period of softness. Five days before the June meeting will see the release of Q1 GDP growth that could be strong based upon current tracking and therefore provide an awkward backdrop against which to cut. There will also be further external developments such as another FOMC meeting and whatever happens to oil and the broader terms of trade between now and then.

In short, with all of that ahead of us before the June meeting, it would be foolhardy for the BoC to commit to the next meeting today.

Here are some additional things to watch for.

- Will they leave unchanged the reference to how they are "still concerned about risks to the outlook for inflation, particularly the persistence of underlying inflation" or soften it, perhaps by striking out the persistence part or softening it?
- I think they'll leave intact reference to how they want "to see further and sustained easing in core inflation" and the references to what they are watching.
- They have to re-write the Canadian economy paragraph to recognize greater than expected strength and a stronger outlook partly based on greater fiscal easing and higher oil prices.
- On forecasts, I think they'll revise up growth given tracking to date and more fiscal easing than they expected plus better terms of trade.
- They'll probably leave intact the reference to how "underlying inflationary pressures persist" by quoting y/y core measures that are still over 3%. Mayyyybe they reference 'signs of further progress' or something like that. By contrast it would be hawkish if they referenced added upside risks to inflation and take your pick there (growth, oil, fiscal, etc).
- Watch for a staff research paper on the neutral rate and whether they raise their estimate. They have resisted in the past while saying it's between 2–3% using four methodologies and with a 2.5% midpoint. Since then, Macklem and the since departed DepGov Beaudry have indicated they think it's higher. A higher neutral rate would suggest they think policy may be slightly less restrictive.
- Also watch how they may revise potential GDP estimates. They may revise up the level, but the growth rate could be revised down.

#### **FOMC Minutes (2pmET)**

Any rate dialogue may be stale on arrival post-payrolls and wages and depending in part on what happens to core CPI. The QT discussion may inform what they are thinking of by way of the modalities, but we were told that no decision was reached at this meeting. Powell had said that a decision may be offered "fairly soon" back on March 20<sup>th</sup> which is open to interpretation. The minutes might inform how close they are to a decision and hence whether an announcement is likely on May 1<sup>st</sup> or June 12<sup>th</sup>.

Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk			
	4.74	4.74	4.67	4.37	4.37	4.33	4.36	4.36	4.35	4.49	4.50	4.51	Canada - BoC	5.00	
	4.19	4.19	4.22	3.60	3.59	3.62	3.56	3.55	3.59	3.47	3.47	3.50	US - Fed	5.50	
	2.88	2.89	2.85	2.38	2.39	2.38	2.37	2.37	2.40	2.52	2.52	2.57			
	0.23	0.22	0.20	0.39	0.39	0.38	0.81	0.80	0.80	1.86	1.84	1.85			
	4.21	4.21	4.21	3.91	3.91	3.91	4.03	4.03	4.06	4.53	4.53	4.56	England - BoE	5.25	
	Spreads vs. U.S. (bps):														
	-55	-55	-45	-77	-78	-71	-79	-81	-76	-102	-103	-101	Euro zone - ECB	4.50	
	-186	-186	-182	-199	-199	-195	-199	-199	-195	-198	-198	-194	Japan - BoJ	-0.10	
-451	-452	-448	-398	-399	-395	-355	-356	-355	-264	-266	-266				
-53	-54	-46	-46	-47	-42	-32	-33	-29	3	3	5				
Equities	Level					% change:									
	Last	Change			1 Day	1-wk	1-mo	1-yr							
S&P/TSX	22362	101.5			0.5	1.3	2.9	10.3						Australia - RBA	4.35
Dow 30	38884	-9.1			-0.0	-0.7	0.4	15.8							
S&P 500	5210	7.5			0.1	0.1	1.7	26.8						New Zealand - RBNZ	5.50
Nasdaq	16307	52.7			0.3	0.4	1.4	34.9						Next Meeting Date	
DAX	18201	124.6			0.7	-0.9	2.2	16.7							
FTSE	7983	48.3			0.6	0.6	4.2	3.1							
Nikkei	39582	-191.3			-0.5	0.3	-0.3	43.2						Canada - BoC	Apr 10, 2024
Hang Seng	17139	311.1			1.8	1.2	4.8	-15.7						US - Fed	May 01, 2024
CAC	8082	33.3			0.4	-0.9	0.7	10.3							
Commodities	Level					% change:									
		Change			1 Day	1-wk	1-mo	1-yr							
WTI Crude	85.67	0.44			0.5	0.3	9.8	7.4						England - BoE	May 09, 2024
Natural Gas	1.93	0.05			2.9	4.6	6.7	-11.3							
Gold	2346.61	-6.17			-0.3	2.0	7.7	17.8						Euro zone - ECB	Apr 11, 2024
Silver	27.97	0.14			0.5	9.0	14.2	12.2							
CRB Index	296.73	-0.75			-0.3	0.8	7.3	9.2						Japan - BoJ	'A Field Not Applica
Currencies	Level					% change:									
		Change			1 Day	1-wk	1-mo	1-yr							
USDCAD	1.3558	-0.0013			-0.1	0.2	0.6	0.4						Mexico - Banxico	May 09, 2024
EURUSD	1.0863	0.0006			0.1	0.2	-0.6	0.0							
USDJPY	151.83	0.0700			0.0	0.1	3.3	13.6						Australia - RBA	May 07, 2024
AUDUSD	0.6623	-0.0006			-0.1	0.9	0.1	-0.3							
GBPUSD	1.2698	0.0020			0.2	0.4	-0.9	2.6						New Zealand - RBNZ	Apr 09, 2024
USDCHF	0.9038	0.0003			0.0	0.1	3.0	-0.6							

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